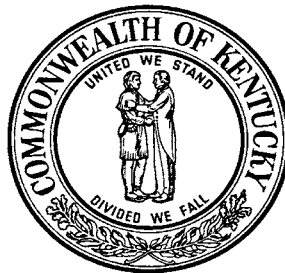


**REPORT OF THE AUDIT OF THE  
FLEMING COUNTY  
SHERIFF'S SETTLEMENT - 2001 TAXES**

**May 21, 2002**



**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**  
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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Homer Hurst, Jr., Fleming County Judge/Executive  
Honorable Jerry Wagner, Fleming County Sheriff  
Members of the Fleming County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the Fleming County Sheriff's Settlement - 2001 Taxes.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger & Ross, PLLC, evaluated the Fleming County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure





**AUDIT EXAMINATION OF THE  
FLEMING COUNTY  
SHERIFF'S SETTLEMENT - 2001 TAXES**

**May 21, 2002**

**Berger & Ross, PLLC**  
Certified Public Accounts and Fraud Examiners  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**FLEMING COUNTY**  
**SHERIFF'S SETTLEMENT - 2001 TAXES**

**May 21, 2002**

Berger & Ross, PLLC has completed the audit of the Sheriff's Settlement - 2001 Taxes for Fleming County Sheriff as of May 21, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

Sheriff collected net taxes of \$2,910,170 for the districts for 2001 taxes. Sheriff distributed taxes of \$2,907,760 to the districts for 2001 Taxes. Taxes of \$14 are due to the districts from the Sheriff and refunds of \$13 are due to the Sheriff from the taxing districts.

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.





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Attention:  
Mr. Paul E. Patton, Governor  
Mr. Gordon C. Duke, Secretary  
Mr. Dana Mayton, Secretary  
Mr. Homer Hurst, Jr., Judge/Executive  
Mr. Jerry Wagner, Sheriff  
Members of the Fleming County Fiscal Court

## To the People of Kentucky

Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Homer Hurst, Jr., Fleming County Judge/Executive  
Honorable Jerry Wagner, Fleming County Sheriff  
Members of the Fleming County Fiscal Court

### Independent Auditor's Report

We have audited the Fleming County Sheriff's Settlement - 2001 Taxes as of May 21, 2002. This tax settlement is the responsibility of the Fleming County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Fleming County Sheriff's taxes charged, credited, and paid as of May 21, 2002, in conformity with the modified cash basis of accounting.

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Homer Hurst, Jr., Fleming County Judge/Executive

Honorable Jerry Wagner, Fleming County Sheriff

Members of the Fleming County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2002, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -  
October 28, 2002

FLEMING COUNTY  
JERRY WAGNER, SHERIFF  
SHERIFF'S SETTLEMENT - 2001 TAXES

May 21, 2002

	County Taxes	Special Taxing Districts	School Taxes	State Taxes
<u>Charges</u>				
Real Estate	\$ 514,203	\$ 475,676	\$ 1,152,209	\$ 431,707
Tangible	40,658	36,717	92,142	70,606
Intangible	-	-	-	26,481
Fire Acreage	1,795	-	-	-
Limestone, Sand, and Gravel	64	60	144	54
	<hr/>	<hr/>	<hr/>	<hr/>
Total Per Sheriff's Official Receipt	\$ 556,720	\$ 512,453	\$ 1,244,495	\$ 528,848
<u>Other Taxes and Charges</u>				
Penalties & Interest	4,921	4,546	11,002	4,516
Franchise Corporation	58,619	53,014	133,939	-
	<hr/>	<hr/>	<hr/>	<hr/>
Gross Chargeable to Sheriff	\$ 620,260	\$ 570,013	\$ 1,389,436	\$ 533,364
<u>Credits</u>				
Exonerations	\$ 2,439	\$ 2,244	\$ 5,464	\$ 2,047
Delinquents	6,924	6,414	15,450	5,796
Unpaid Franchises	8	6	18	-
Discounts	7,758	7,135	17,341	7,493
	<hr/>	<hr/>	<hr/>	<hr/>
Total Credits	\$ 17,129	\$ 15,799	\$ 38,273	\$ 15,336
	<hr/>	<hr/>	<hr/>	<hr/>
Net Tax Yield	\$ 603,131	\$ 554,214	\$ 1,351,163	\$ 518,028
Less: Commissions*	25,921	23,553	44,588	22,304
	<hr/>	<hr/>	<hr/>	<hr/>
Taxes Due Districts	\$ 577,210	\$ 530,661	\$ 1,306,575	\$ 495,724
Taxes Paid	576,731	530,248	1,305,471	495,310
Less: Refunds (Current & Prior Years)	478	421	1,094	416
	<hr/>	<hr/>	<hr/>	<hr/>
Taxes Due Districts (or Refund Due Sheriff)		**		
as of Completion of Fieldwork	\$ 1	\$ (8)	\$ 10	\$ (2)
	<hr/>	<hr/>	<hr/>	<hr/>

\* and \*\* See Page 4

The accompanying notes are an integral part of these financial statements.

FLEMING COUNTY  
 JERRY WAGNER, SHERIFF  
 SHERIFF'S SETTLEMENT - 2001 TAXES  
 May 21, 2002  
 (Continued)

\*Commissions:

10% on \$10,000  
 4.25% on \$1,665,373  
 3.3% on \$1,351,163

\*\*Special Taxing Districts:

Library District	\$	1
Health District		1
Extension Service District		1
Watershed District		(1)
Ambulance District		(10)
		<hr/>
Due Districts or (Refunds Due Sheriff)	\$	<u>(8)</u>

The accompanying notes are an integral part of these financial statements.

FLEMING COUNTY  
NOTES TO FINANCIAL STATEMENT

May 21, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue, which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue, which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of May 21, 2002, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

FLEMING COUNTY  
NOTES TO FINANCIAL STATEMENT  
May 21, 2002  
(Continued)

Note 3. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2001. Property taxes were billed to finance governmental services for the year ended June 30, 2002. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 22, 2001 through May 21, 2002.

Note 4. Interest Income

The Fleming County Sheriff earned \$786 as interest income on 2001 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Fleming County Sheriff collected \$15,964 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office.

Note 6. Advertising Costs And Late Fees

The Fleming County Sheriff collected \$1,526 of advertising costs and late fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the late fees were used to operate the Sheriff's office.



REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





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Auditor, Certified Public  
Accountant, Certified Fraud Examiner  
Investigative Accounting and Auditing  
Specialty: Forensic Accounting  
Notary Public, Licensed Agent, 2001  
National Insurance Fraud Detection  
Council of the Taxpayers' Association

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
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Dana Mayton, Secretary, Revenue Cabinet  
Honorable Homer Hurst, Jr., Fleming County Judge/Executive  
Honorable Jerry Wagner, Fleming County Sheriff  
Members of the Fleming County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Fleming County Sheriff's Settlement - 2001 Taxes as of May 21, 2002, and have issued our report thereon dated October 28, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Fleming County Sheriff's Settlement - 2001 Taxes as of May 21, 2002 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fleming County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -  
October 28, 2002

